

# **BUDGET MESSAGE – FISCAL YEAR 2018-2019**

## **CITY OF STAFFORD, TEXAS**

**1 SEPTEMBER 2018**

**By Mayor Leonard Scarcella**

**A couple of weeks ago, Legislative Consultant John Pitts and I met with top advisers on the staff of Texas Comptroller Glen Hegar to discuss the recent historic U.S. Supreme Court decision of *South Dakota v. Wayfair* which allows state and local governments to impose sales and use taxes on sellers of goods and services who have an *economic presence* in their entity. This reverses a long standing legal requirement that these taxes could only be collected if the seller had a *physical presence* in the entity. So now Stafford and 1,600 other local governments in Texas, as well as the state, can collect these taxes on internet transactions. Having said that, it is most likely it will be the end of next year before we receive sales taxes from internet transactions.**

**The respect and admiration for the City of Stafford at this meeting displayed by these representatives of the State's chief financial officer was most apparent,**

**clearly illustrated by their literal open applause for the approach we annunciated in working to support their efforts to develop an effective and expeditious program for the collection of these now authorized taxes.**

**The unique fiscal achievements of this City--eliminating property taxes, living within our means, constraining the debt--obviously captured the appreciation of this esteemed agency which, last year featured Stafford and me in one of their publications. The Comptroller's office has one of the most informed understandings, and premier perspectives, of the financial condition of all of these local entities in the state. There is no one better qualified to evaluate the superior fiscal accomplishments of this City, and when deserving, strongly applaud them, which they did.**

**Make no mistake. A host of others across Texas, as well many in this country, commend our highly extraordinary deeds for what they are: unique and exemplary. For this we should be most proud, and exert every effort to elevate them. Unfortunately, there are those, some in positions of leadership in this City, who do all in their power to denigrate and demean these principles which have been the underpinnings of these outstanding gains.**

**With this laudatory status in mind, we present the 2018 - 2019 Fiscal Year Budgets for the City of**

## **Stafford and the Stafford Economic Development Corporation.**

**In this presentation there are a few matters deserving of special attention. Ranking among those at the top of that list is the development that has garnered tremendous attention based on its promise to *‘transform Stafford and make it into a point of destination’, namely “The Grid”*. This is occurring on roughly half of the old Texas Instruments 192 acre tract sold a few years ago to a group called Street Level. The approved agreement would afford the developer, *based on their numbers*, pay outs and rebates of about \$18,000,000 over a six year period—the first time in its more than 60 year history Stafford will pay a promoter to develop within the City. Many in our business community who generate the revenues enabling us to provide this funding are not enamored with the arrangement consisting of these millions of dollars of payments and the 80% kick back of sales taxes. One businessman at a luncheon at Pappadeaux a couple of weeks back may have put it in the best light. He noted that four people eating at the restaurant we were in and incurring a tab of \$100 would pay a sales tax of \$2 flowing to the City. However, should those same four people go several hundred yards away to a restaurant in The Grid, they would have to incur a bill of \$500 in order for Stafford to receive that same \$2. When the project will start generating income for our coffers (which some claim will provide the necessary resources for the City for**

decades to come) remains unknown, but it is apparent that while the City will be making at least a million dollars payment to the developer this year, minimal revenues from *The Grid* are anticipated in this Budget.

Another most critical component of the City's fiscal operations is the support for the Stafford Municipal School District. Following a very testy exchange between City Council and the SMSD Board of Trustees which garnered extensive media attention of three television stations, PBS radio, and three newspapers over the District's bogus claim castigating the City, and me personally, for being unwilling to provide police protection for SMSD students, even though there is no greater obligation any school district has—especially in today's world—than providing security for its students. The simple fact: Under law, which it took the SMSD Board two weeks to finally figure out--as well as a spirited argument by our City Attorney--this City was prohibited from providing those police services unless there was an inter local agreement complying with current law requiring the District to reimburse the City for the fair value of services it receives.

Fortunately, the necessary agreement was signed, with SMSD agreeing to remit \$187,000 for three Stafford police officers (known as SROs) to be on full time duty while school is in session. Despite that, the City will be doing as it has done since the first day of SMSD school on August 26, 1982: fervently protecting the children of the District. In actuality, this Budget

**has funding of more than \$300,000 for just that purpose. Additionally, provisions for use by SMSD of the Civic Center, the Stafford Centre, the Municipal Swimming Pool, permits for review of plans for the new facilities authorized by the bond construction funds, SMETV television productions of school meetings and events, a legislative consultant and a section of the City's quarterly newsletter will require another \$450,000.**

**Before concluding our discussion of SMSD, we would be remiss if we did not address the two issues that have reduced the District from having the highest test scores in the Houston area to one struggling to glorify a B rating: the diminution of Stafford students attendance in the District and the abdication of a commitment to diversity, (where the white student population has dwindled to a measly 3 1/2 %, with Asian-American pupils at less than 7 %). This situation was exacerbated by the former Board President, who did little to hide his lack of interest in the solicitation of Stafford children to attend SMSD and the pursuit of student diversity. This was despite our City having one of the most diverse racial compositions in the nation with Anglos, African-Americans, Hispanics and Asian-Americans each making up about 25% of our population. Fortunately, there appears to have been a major breakthrough. Christopher Caldwell is the new President of the Board. He is reaching out to address these deficiencies. He has called to request a meeting of**

himself, Superintendent Robert Bostic and myself to begin aggressively pursuing programs to make an assault on rectifying these critical problem areas. Twenty-five thousand dollars has been set aside in this Budget for that effort. This contribution by the City will, when added to those outlays noted above, run the grand total of support for SMSD to over \$800,000 for this fiscal year.

Another significant arrangement is set to take place as we move into the next chapter. An enhanced television contract with the Houston Community College--that has been two years in the making and even brought HCC Chancellor Cesar Maldonado into the negotiations--is complete. By its terms, it will significantly elevate services for Staffordians, especially in emergencies, provided by SMETV at the Scarcella Science and Technology Center on the Stafford Campus through improved staffing and equipment. This access television station, which was one of the first in the region, is highly regarded locally as well as by those outside of our area, and especially those who utilize video streaming, for which the service is invaluable. From the City's perspective, one of its most beneficial attributes is its retrieval capabilities of all that transpires in our many governmental meetings to verify numerous complex, and sometimes disputed, issues. The tab for these expanded capabilities is just under a half million dollars.

**The value of HCC to Stafford goes beyond this excellent TV station. With the second highest enrollment of the 30 HCC campuses, the Stafford campus with its 8,000 a day attendance, plus staff, provides not only outstanding educational opportunities but an economic boost to the City. Most important, this aid to our economy is greatly facilitated by the curriculum and certifications offered for the high paying jobs here and especially for the more than three dozen oil field valve manufacturing businesses that call Stafford home. While some downplay the importance of this sector of our economy, Stafford is known broadly in the national business community, as well as globally, for this vibrant manufacturing component—one of the main reasons so many foreign companies have chosen to locate here. With oil prices climbing back into the \$70 per barrel range, and spurring a boom, our prominence in this arena is substantially escalated. The support provided by HCC is enormous, and indispensable!**

**Beginning with the big picture, and the heart of the matter, *having a ZERO PROPERTY TAX for the 24<sup>th</sup> consecutive year is the HEADLINE!* And predicated on that we display the overall budget, containing the operations and activities of the City and the SEDC, which will carry a grand total of \$41 million.**

**Breaking that down, we must first address what rises to the top: personnel. The tab for salaries, health care insurance, retirement benefits, and**

**gratuities will tally out at \$16,400,000. Included in this is a two percent (2%) increase for all full time employees, as well as upward adjustments for qualifying individuals approved by City Council from an extensive salary study by our new Human Resource Director, Shanell Garcia. A most vital component of this compensation package is health care insurance, which a recent national study placed health care as the top issue of concern among Americans. Many have emphasized that this City's package for its employees ranks it in the upper echelon of such programs. Its cost will approach \$2,400,000, with the City paying the total cost of the insurance for employees and 88% for their dependents.**

**Addressing the departmental areas, we begin with the Police Department under the excellent leadership of Chief Richard Ramirez. As referenced above, there will be a new School Resource Officer added and who will be at SMSD, thus bringing to three the number of full time SROs. Operational costs for the PD, which was recently awarded the highly prestigious Texas Law Enforcement Best Practices Recognition Program Certificate, will run \$8.2 million, with equipment tacking on another \$68,000. Most notable is the \$2 ½ million allocated for a new police annex facility set for construction next year.**

**Falling under Chief Ramirez' umbrella is the carefully monitored Code Enforcement Department,**

**which oversees the adherence to our regulations requiring a cost of slightly less than \$300,000.**

**An area receiving intense scrutiny is that of animal control. The Police Chief is also over the Humane Department, which is efficiently operated by Animal Control Officer Pete Ramirez. The cost of operating this unit is \$117,000. However, this is an evolving situation. For many years, Stafford has contracted with the City of Missouri City for sheltering services, fully recognizing that one day growth would over take both entities making it necessary for Stafford to provide its own animal shelter. That day is very near. We have contracted with Stacy Suazo, noted for her expertise in the area of developing facilities to properly care for animals. This Budget has \$55,000 to derive plans appropriate to fully address this matter. From those plans, City Council will consider proceeding with a facility and program to establish an exemplary animal control and caring project.**

**A companion first responder component is the Fire Department, which is under the capable leadership of Chief Larry DiCamillo. The SFD has distinguished itself by obtaining an ISO rating of One, placing it in a most elite class of the nation's firefighting units. Operations will require slightly more than \$2.7 million. It's taken over three years but with \$3 million in debt funding secured in June, construction on the new fire station should**

**commence in the next few months. The Fire Marshal section, which makes critical investigations into fire and arson incidents is a compliment to the SFD. It will require \$483,000 in operational outlays and \$15,000 in equipment for this important function. One of the most positive aspects of this operation is its generation of fees, which with code enforcement will total \$385,000.**

**Emergency Management is consolidated under the directorship of Fire Chief DiCamillo. With the resignation of long time Coordinator, Jennifer Taylor, the reigns for this important position have been handed to Peter Alvarado. To perform these most vital operations \$191,000 has been allocated.**

**Public Works, under its new head Chris Riggs, oversees a host of operations. Its primary obligation is to administer the various functions of the department, namely streets, parks, maintenance, permits and inspections. In order to direct all the activities, it will cost \$927,000. There is an expansion of the specified responsibilities, namely building maintenance. While this has always been under the purview of this department, there will be a designated employee working full time addressing this issue. Another initiative started this year and carrying over into the new year will be the residential rental inspection program, which costs are included under this component, and which is a pet project of Mayor Pro Tem Virginia Rosas. This aggressive program provides for the inspection of residential rental**

homes. It is anticipated that most of these homes remaining to be inspected will be addressed during this budget year. Revenue from that program is estimated at \$125,000.

The Street Department, an integral part of Public Works, is often the center of attention, if not for a major street endeavor, then for a drainage project which is also in the purview of this category. Recently, this has been the main focus resulting from the strong interest in major improvements to drainage for the subdivisions of Missouri City Estates, Vaccaro Manor and Sugar Creek. Three million dollars in certificates of obligation were issued to fund these endeavors. All three projects are underway, with Vaccaro Manor nearing completion. Major street undertakings will be under the direction of this component. Included in these major endeavors are some thirteen projects designated as general street repairs throughout the City. They will carry a total cost of \$870,000.

Something near and dear to the hearts of many of our citizens is our parks. And this is an area where we excel in maintenance, from the jogging tracks to the grounds, which is under the watchful eye of Jim Wagner, the Superintendent over this component, and outstanding assistance from his workers. The total tab for these operations and a new truck and mowers will just top a million dollars. Much credit belongs to Councilman Cecil Willis who has long guided the

**Parks Committee in its successful efforts to bring notable enhancements to our parks.**

**The Maintenance Department is charged with caring for all City vehicles and equipment, as well as the buses of SMSD. While not getting a lot of publicity, its responsibilities are substantial and its efficiency very important to the productivity of the staff, keeping costs down and gaining maximum life out of the expensive outlays for this equipment. Operations will tally just under a half-a-million dollars with a tab of \$58,000 for a lift and pick up truck.**

**A significant aspect of the Public Works function is the permit and inspection division, which not only insures compliance with our regulations to assure sound construction, but are substantive in generating income from the inspections. Irby Rico, long time inspector, is the point person on these activities. The cost, including that for some updated equipment, is just over \$460,000.**

**The department that put this Budget together is Finance under the capable direction of Dorrance Roderick, who arrived on the scene near the end of last year. Beyond the Budget are all of the daily financial activities—and making sure every one of our dollars is spent wisely. Expenditures incurred for these functions will slightly exceed a half million dollars.**

**Another new face on the scene is that of Ryan Young, who was hired to restructure the Intellectual Technology Department. While only having been on the scene a few months, he has aggressively initiated approaches and procedures to not only elevate this department but work with each of the department heads to enhance technology throughout the City. And it's beginning to show strong signs of progress. To achieve these goals, just under a million dollars has been appropriated.**

**General Government, led by Tomika Lewis, covers a broad swatch of various activities. City elections are a most prominent area within this category. Coupled that with the City's newsletters, property insurance, legal fees, records management and legislative pursuits are just some of the items covered in this department. When consolidated with several other areas, plus the most critical aspect of dealing with public complaints and open record requests, a very broad area of responsibility is involved. The cost for all of these operational components is \$1,663,000.**

**Susan Ricks is charged with numerous substantial responsibilities. She oversees the Civic Center, Recreational Department, the Municipal Swimming Pool, and is the Administrator of the Stafford Centre. The Civic Center remains one of the finest multipurpose venues in Fort Bend County. It also serves SMSD as its auditorium and has a tab for operations which is borne by not only the general**

**fund and the municipal sales tax fund but also the hotel tax fund. All add up to \$670,000, while its revenue production is proposed at \$175,000.**

**Following close behind is the Municipal Swimming Pool which brings great pleasure to our citizens and affords SMSD the ability to teach swimming to elementary school children. The tab for operating this most enticing facility is \$200,000. On the plus side, it is anticipated to take in \$45,000 in revenues.**

**Various recreational activities are also under her direction. Most prominent are the Fourth of July Celebration, City's sponsorship of sport and recreational activities, and most anticipated, the Children's Holiday Festival, all of which the City provides free to its citizens. The tally on these activities is just over \$100,000.**

**One of our most recognized and touted facility is the Stafford Centre. Cost for operations related to this facility, which is supported by the General Fund, SEDC and Hotel Occupancy Tax, is about \$2.6 million. Debt service is just under \$1.8 million. This amounts to a total of \$4,400,000, plus SEDC funding of \$354,000. Revenues generated from this facility are slightly more than \$1,800,000.**

**Next, we move to the Municipal Court led by Nicole Nguyen who has long established a fiscally**

**responsible operation. The cost of this department is about \$550,000. In contrast, it collects and retains \$1.6 million in violations and fines.**

**The newly established Human Resource department, led very well by Ms. Garcia, not only has gotten quickly situated but has produced very valuable information for Council's assessment for salaries, benefits and other personnel related matters, including health care insurance. The outlay necessary for this operation is just over a quarter million dollars.**

**As earlier referenced, certificates of obligation for drainage, fire station and police annex will require a debt service payment—something this City has not had in quite a while. The cost for this year, which will come from the MST Fund, is \$608,000.**

**This covers expenditures from the various departments. Obviously, it takes money to provide these services and equipment. Major revenue sources for the coming year begin with the sales tax receipts of \$16,800,000, which is split three ways; one-half or \$8,400,000 to General Fund (GF), \$4,200,000 to the Municipal Sale Tax Fund (MST), and \$4,200,000 to the SEDC.**

**Other GF revenues consist of Franchise Taxes \$1,750,000, Building and Other Permits Fees \$640,000, Violation and Fines \$1,600,000 and Stafford Centre**

receipts tally \$1,820,000. A myriad of GF revenues total \$3,300,000. Other contributions to GF revenues will be \$2,000,000 from the MST Fund and \$700,000 reimbursement from Certificates of Obligation for advance payment on the projects. This will result in a grant total of GF Revenues of \$20,200,000.

Moving to the MST Fund, which will be paying the CO's debt service, leaving Sales Tax Revenues of \$3,490,000. Add to that \$2,000,000 from Fort Bend County Bond proceeds with Miscellaneous Receipts of \$68,000. This will total \$5,558,000 in MST revenues.

Revenues from the Hotel Occupancy Tax are anticipated to bring in \$1,100,000, plus interest of \$100,000, for a \$1,200,000 total.

Turning to the Stafford Economic Development Corporation, it must be emphasized that the Board has yet to address the Budget and will be doing so before City Council considers the final approval of the Budget at the end of the month. The SEDC is an arm of the City under the direction of seven directors headed by President Wen Guerra. Noteworthy items in this budget are the sales tax receipt of \$4,200,000. Also, payment of the debt service on the Stafford Centre will tally \$1,790,000. Other prominent features in this budget will be renovation to the landscaping on US 90A to the tune of \$80,000. However, this is in stark contrast to the \$600,000 proposed from the SEDC committee, as is the \$500,000 proposed for the

**FM 1092 corridor consultant. The SEDC Board will make these decisions.**

**Also getting a facelift will be the US 59 landscaping for which there is \$100,000 allocated.**

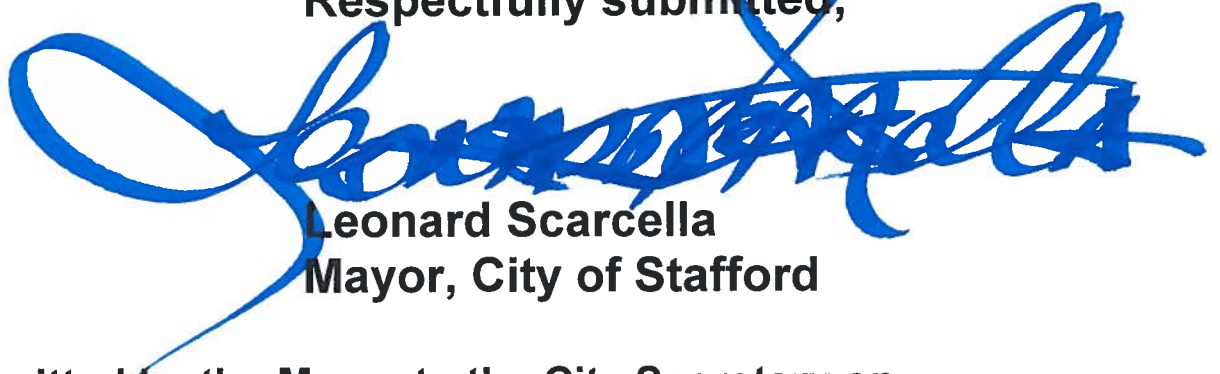
**The Stafford Centre has proposed and is included in this project various upgrades to the venue in the amount of \$354,000. Most notable is the \$5,000,000 allotted for the expansion of West Airport Boulevard. As indicated in the opening of this message, \$1 million is appropriated for reimbursement to The Grid for improvements to Network Drive. Certainly worth mentioning is the total cash balance in the SEDC account amounting to \$11,630,000.**

**As emphasized in the consideration of the budget last year, and feeling at least as fervent as I did then, we must endeavor to spend only when necessary, and thus maintain the highest fund balances. Further, a most controversial point with some, is my continuing emphasizes on City personnel attempting to not only save money but to pursue approaches to generate revenues. In the private sector, this is something that is a foregone conclusion; however, in the governmental realm, some argue that it is inappropriate to have City employees endeavoring to generate revenues to pay their salaries and other expenses. I totally reject that argument and will once more urge, as I have done in many department head meetings that every department and employee look**

into appropriate means to maintain and increase the City's resources. Simply put, it is very expensive to operate the City. In my opinion, all who are connected with the City must not only assist in saving money but also in generating resources.

A related and final point worthy of recognition: One of the most critical considerations is the fund balances in the City's Budget. On that note, it is worthy of mentioning that the fund balance for the City's GF is now in excess of \$5 million, which is almost 3 times what was predicted when the current budget was approved. However, as is apparent, that \$5 million will be reduced to less than \$1 million if the proposed budget is approved, barring a concerted effort to restrict spending whenever practical.

Respectfully submitted,



Leonard Scarcella  
Mayor, City of Stafford

Submitted by the Mayor to the City Secretary on  
September 1, 2018 at 11:28 P.M.

Tomika R. Lewis, City Secretary

By: Nici Browe  
Nici Browe  
Asst City Secretary